

**DELAWARE DEPARTMENT OF INSURANCE**

**MARKET CONDUCT EXAMINATION REPORT**

**QBE Insurance Corporation – Authority # 39217-18-HO-738**

**Praetorian Insurance Company – Authority # 37257-18-739**

**QBE Specialty Insurance Company – Authority # 11515-18-HO-740**

**One QBE Way  
Sun Prairie, WI, USA 53596**

**As of**

**August 31, 2018**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF THE  
**QBE Insurance Corporation  
Praetorian Insurance Company  
QBE Specialty Insurance Company**

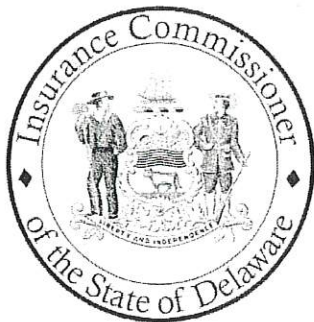
AS OF

August 31, 2018

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

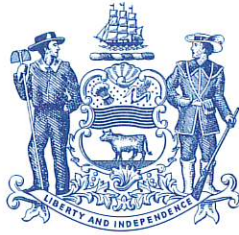
This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 12 day of August, 2019.

Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



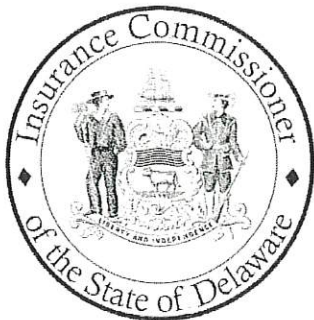
STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of August 31, 2018 on

**QBE Insurance Corporation  
Praetorian Insurance Company  
QBE Specialty Insurance Company**

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 12 day of August, 2019.

Trinidad Navarro  
Insurance Commissioner

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	2
SCOPE OF EXAMINATION.....	5
METHODOLOGY .....	5
COMPANY HISTORY AND PROFILE .....	6
COMPLAINT HANDLING .....	9
UNDERWRITING AND RATING.....	9
CLAIMS .....	13
CONCLUSION.....	14

Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 51586-18-702, and pursuant to statutory provisions, including 18 *Del. C.* §§ 318 - 322, a market conduct examination has been conducted of the affairs and practices of:

QBE Insurance Corporation – Authority # 39217-18-HO-738  
Praetorian Insurance Company – Authority # 37257-18-739  
QBE Specialty Insurance Company – Authority # 11515-18-HO-740

The examination was performed as of August 31, 2018.

The examination consisted of an off-site phase, which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

## EXECUTIVE SUMMARY

The examination of QBE Insurance Corporation, Praetorian Insurance Company, and QBE Specialty Insurance Company, hereinafter referred to as QBEIC, PIC, and QBE Specialty, respectively, was announced as part of a series of examinations of companies in the homeowner insurance marketplace in Delaware. The examination focused on the companies' homeowner insurance business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims.

All exceptions noted were in the areas of Underwriting and Rating and Claims.

The following exceptions were noted.

- **391 Total Exceptions:**
    - 79 Exceptions - QBEIC – Underwriting and Rating - New Business**
    - 84 Exceptions - QBEIC – Underwriting and Rating - Renewals**
    - 113 Exceptions - PIC – Underwriting and Rating - New Business**
    - 115 Exceptions - PIC – Underwriting and Rating - Renewals**
- 18 Del. Admin. C. 702 - Required Disclosures for Residential Homeowners Policies**

### ***4.0 Requirement of Disclosure***

*Insurers, upon initial delivery of a homeowners policy terms and declaration page, and not less than once annually after delivery, shall provide a form to the policyholder entitled "Important Information About Your Homeowners Insurance." The title of the document shall be in at least 30-point type.*

### ***5.0 Content of Disclosure***

*5.1 Each form presented pursuant to Section 4.0 of this Regulation shall make the following disclosures:*

*5.1.5 Disclosure of information regarding any required deductibles, which disclosure shall include the following information:*

*5.1.5.1A description of what a deductible is, including a statement that the policyholder is responsible for payment of the entire amount of the deductible;*

*5.1.5.2 A full description of the circumstances that will trigger applicability of each deductible;*

*5.1.5.3 A description and example(s) of how each deductible will be calculated;*

*5.1.5.4 The following statement: "Deductibles are not required by state law and are not uniform across insurance companies, and therefore the charge for each deductible may vary between insurers."*

*The disclosure required by this subsection shall be entitled "Policyholder Payment of Deductibles: and the title shall be in at least 18-point type.*

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

The insurer failed to deliver to the policyholder Form HO9530, “Important Information About Your Homeowner’s Insurance,” that contained all information required by *18 Del. Admin. C. 702 § 5.1.5* pertaining to deductibles.

- **3 Total Exceptions:**
  - 1 Exception - PIC - Claims – Denied**
  - 1 Exception - PIC – Claims – Closed Without Payment**
  - 1 Exception – QBE Specialty – Claims – Closed Without Payment**

**18 Del. Admin. C. 902 – Prohibited Unfair Claim Settlement Practices.**

*1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.*

The Company failed to affirm or deny coverage o a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements were received by the insurer.

- **1 Exception – QBEIC – Underwriting and Rating - New Business**

**18 Del. C. § 1715(a) – (b) – Appointments.**

*(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.*

*(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.*

The Company accepted business from a producer who was not properly appointed.

- **54 Total Exceptions –**
  - 27 Exceptions - QBEIC – Underwriting and Rating – Renewals**
  - 27 Exceptions - PIC – Underwriting and Rating - Renewals**

**18 Del. C. § 8307 (c) - Notifications**

*(c) On an annual basis, the insurer shall inform its policyholders of their right to have their credit information reviewed to determine whether the use of the current credit report would result in a lower premium, in accordance with the procedures set forth in this chapter. This notification shall be in at least 18-point type and included with the renewal notice. The notification shall be accompanied by a form that the policyholder must complete and send to the insurer to request that the credit information be obtained and reviewed. The notification shall advise the policyholder that the request form must be mailed within 2 weeks of the date of mailing of the renewal notification by the insurer for a premium adjustment to be made for the upcoming policy period. The notification shall also advise the policyholder that they must comply with the renewal notice requirements regarding the payment amount and due date regardless of whether they choose to request a review of their credit report and that any decrease of premium as a result of the new credit report be effective on the upcoming renewal date provided in the renewal notice. This subsection does not apply to any renewal for which the insurer's filed rating plan does not use any credit information, including residual effect from the use of credit information at initial underwriting. An insurer that is exempt from this subsection shall advise its policyholder of the exemption and the reason for the exemption with the policyholder's renewal notice.*

**QBEIC – Underwriting and Rating – Renewals**

At the time of renewal, the Company failed to provide a notification and its corresponding form informing the policyholder of the right to have credit information reviewed to determine whether use of the current credit report would result in a lower premium.

**PIC – Underwriting and Rating – Renewals**

The Company failed to advise its policyholder of the § 8307 (c) exemption and the reason for the exemption at the time of renewal.

The following areas of concern were noted.

- **1 Concern - PIC – Underwriting and Rating – New Business**

Determination of “Age of Home” rate factor is based on calendar year of construction completion and calendar year of occupancy. At times, this may result in a less favorable premium for a consumer whose construction completion and date of policy issuance fall in two separate calendar years, but whose home is less than one year old.



**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

- **1 Concern - QBE Specialty – Claims – Closed Without Payment – Forms**

Contract language on policy form HO 00 03 issued by the Company is contradictory to Delaware regulation. Language on the form states that loss is payable within 60 days of Proof of Loss. 18 Del. Admin. C. 902 § 1.2.1.5 requires that a claim decision, or claim status, be communicated within 30 days of receipt of Proof of Loss.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318 - 322 and covered the experience period of January 1, 2016, through August 31, 2018. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was originally a targeted market conduct examination of each company's homeowner's insurance business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims.

It was subsequently determined that QBE Specialty wrote non-admitted personal homeowner and condominium owner policies in Delaware during the experience period. There was no admitted personal lines business written in QBE Specialty during that period. Based on this, the company requested, and was granted, an exemption from the underwriting and rating review of New Business, Renewal Business, and Terminations practices for QBE Specialty. QBE Specialty complaint handling and claims information remained within the scope of the examination.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners reported the errors found in individual files, the examiners also focused on general business practices of each company.

Each company identified the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices,

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables company management to review these areas of concern in order to determine the potential impact upon company operations or future compliance.

Throughout the course of the examination, company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested, as warranted, to clarify apparent violations. An exit conference was conducted with company officials to discuss the various types of exceptions identified during the examination and to review written summaries of the exceptions found.

## **COMPANY HISTORY AND PROFILE**

### **QBE Insurance Corporation**

The Company was incorporated on May 5, 1980 as The Victory Reinsurance Company of America, Inc., as a Delaware corporation and a subsidiary of Victory Holdings U.S.A., Inc.; the Insurance Commissioner of Delaware issued a Certificate of Authority and the Company commenced business on October 21, 1980.

On October 30, 1992, the control of Victory Holdings U.S.A., Inc., and consequently the Company, was acquired by QBE Australia Party Limited, a wholly owned subsidiary of QBE Insurance Group Limited (“QBE Group”). Effective December 6, 1993, the Company’s name was changed to Melbourne Reinsurance Corporation.

Effective December 31, 1996, the ownership of the Company was transferred to Sydney Reinsurance Corporation. The Company was licensed in Pennsylvania on November 25, 1997. The Company (now known as QBE Insurance Corporation) changed its name to its current name on January 10, 1997 and changed its state of domicile from Delaware to the Commonwealth of Pennsylvania on September 5, 2002.

According to the 2016 and 2017 Annual Statements, QBE Insurance Corporation reported total Delaware direct premiums written in the amounts of \$2,092,524 and \$1,842,403, respectively. According to the 2016 and 2017 Annual Statements, QBE Insurance Corporation reported total United States direct premiums written in the amounts of \$1,190,685,027 and \$1,069,981,174, respectively.

## **Praetorian Insurance Company**

The Company, formerly known as Insurance Corporation of Hannover, was incorporated under the laws of the State of Illinois on July 20, 1979, and began business on August 7, 1979, as a multiple line property and casualty company. The Company was organized by interests identified with Hannover Rueckversicherungs Aktiengesellschaft (Hannover Re), a reinsurance corporation organized under the laws of Germany. The Company was organized for the purposes of augmenting its parent's United States operations and originally began its operations as a professional assuming reinsurer of specific U.S. property and liability coverage.

The Company's administrative offices were moved from Chicago, Illinois to Los Angeles, California during 1982. During 2001, an affiliate, Clarendon National Insurance Company (CNI), entered into an Asset Sale and Purchase agreement for the purchase of Redland Insurance Company (RIC), a wholly owned subsidiary of Acceptance Insurance Company (AIC). In conjunction with this transaction, the Company acquired the existing book of business and the renewal rights related to certain program business previously written by AIC. In addition, personnel previously employed by AIC connected with the acquired business became employees of the Company.

In December 2002, the Hannover Re group of companies restructured its holding company system and ownership of the Company was transferred from Hannover Re to Hanover Finance, Inc. (HFI). HFI then contributed all of the Company's shares to its wholly owned subsidiary, CNI. This restructuring coincided with a shift of the Company's business focus, which now primarily was on its direct program business. The previously assumed program business was discontinued, with the existing business placed in run-off. During 2003, the Company's administrative offices were then moved from Los Angeles, California to New York, New York. The administration of the previously assumed business that is currently in run-off was also transferred to a third-party administrator during this period.

Effective July 1, 2005, CNI sold the Company and another of its subsidiaries, RIC, back to HFI. HFI subsequently contributed the Company and RIC to Praetorian Financial Group, Inc. (PFG), a holding company that was formed by HFI on October 26, 2005. In conjunction with this restructuring, in March 2006, Hannover Re announced that PFG would be its principal North American platform, whose focus would be on writing higher margin specialty risks, and that the Company and RIC would be the main operating subsidiaries of PFG. The US property and casualty insurance business, previously managed entirely by Clarendon Insurance Group, Inc. (Clarendon Group), was split into two distinct groups; Clarendon Group and PFG. Clarendon Group would then continue to manage approximately 200 terminated programs, as well as existing commodity property and casualty business; and the new group, PFG, would be used to write and manage all specialty property and casualty insurance. Regulatory approvals were obtained on October 21, 2005, to form PFG, transfer the Company and RIC from HFI to

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

PFG, and for the Company and RIC to enter into an Indemnity Reinsurance Agreement with CNI, effective July 1, 2005, whereby CNI ceded to the Company and RIC specific programs representing its select specialty business, net of reinsurance. PFG also obtained regulatory approval to enter into a Renewal Rights Agreement with Clarendon to acquire agency relationships and rights to renew the transferred specialty business on a direct basis.

On May 25, 2006, the Company entered into an agreement to acquire 100% of Alea North America Specialty Insurance Company (ANAIC), an affiliate of Alea Group Holdings (Bermuda) Ltd of Hamilton, Bermuda. ANAIC was a Delaware domiciled surplus lines company with surplus lines authority in 38 states. As part of the transaction, an Alea Group Holdings affiliate, Alea Bermuda Ltd., agreed to assume 100% of all business written by ANAIC prior to closing and to administer the run-off of the then in-force business.

Following regulatory approval, during July, 2006, the Company changed its name from Insurance Corporation of Hannover to Praetorian Insurance Company, and its subsidiary ANAIC changed its name to Praetorian Specialty Insurance Company.

Effective May 31, 2007, PFG was acquired by QBE Holdings, Inc. (QBE) and became part of QBE the Americas. On March 31, 2010, PFG was merged with and into QBE Holdings, Inc. As a result of the merger, the Company became a direct subsidiary of QBE Holdings. RIC merged with and into the Company effective March 31, 2010. The Company redomesticated from Illinois to Pennsylvania effective July 29, 2010.

According to the 2016 and 2017 Annual Statements, Praetorian Insurance Company reported total Delaware direct premiums written in the amounts of \$2,192,044 and \$2,425,080, respectively. According to the 2016 and 2017 Annual Statements, Praetorian Insurance Company reported total United States and Puerto Rico direct premiums written in the amounts of \$604,596,342 and \$354,657,956, respectively.

**QBE Specialty Insurance Company**

The Company was incorporated on August 5, 2002, under N.D.C.C. Ch. 10-19.1, the North Dakota Business Corporation Act, and N.D.C.C. Ch. 26.1-05, Organization and Operation of Domestic Companies. The Company's primary purpose is to engage in the business of property and casualty insurance. The Company is a wholly owned subsidiary of QBE Insurance Group Limited, a publicly traded corporation listed on the Australian Stock Exchange, and QBE Insurance Corporation, an insurance company domiciled in Pennsylvania.

According to the 2016 and 2017 Annual Statements, QBE Specialty Insurance Company reported total Delaware direct premiums written in the amounts of \$4,642,297 and \$6,134,125, respectively. According to the 2016 and 2017 Annual Statements, QBE

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

Specialty Insurance Company reported total United States direct premiums written in the amounts of \$613,553,836 and \$642,381,153 respectively.

## **COMPLAINT HANDLING**

The companies provided the following information and/or documentation for review:

- A copy of each company's complaint register.
- A total of six complaint files, which included five (5) consumer complaints (PIC) and one (1) Delaware Department of Insurance complaint (QBE Specialty). No complaints were reported for QBEIC.
- A statement regarding the companies' definition of "complaint."
- A copy of the companies' complaint handling guidelines and procedures.
- A sample copy of the complaint report or summary prepared on a regular recurring basis that is provided for review by the companies' management.

The information was reviewed to determine compliance with applicable Delaware laws and regulations.

No exceptions were noted.

## **UNDERWRITING AND RATING**

### **Determination of Coverage A and Inflationary Factors**

Policies and procedures pertaining to determination of Coverage A, or dwelling coverage amount, were subject to review as part of this desk audit. In addition, inquiries were made about inflationary factors applied to increase the amount of Coverage A for renewal business.

### **QBEIC – New and Renewal Business**

QBEIC has not written new business in the state of Delaware since April 30, 2018.

QBEIC Homeowners policies are renewed with the Coverage A amount increased by an "inflation factor." QBEIC HO-4 policies have an annual inflation factor applied. PIC and QBEIC Homeowner, HO-3, policies are renewed with coverage limits automatically increased by an inflation factor. Currently, that factor is set at 2.5% for Delaware. These inflation factors are derived every three or four years, based on a study of the Marshall Swift & Boeckh average Residential Building Cost Percent Changes by state. The company makes the final determination of the given state's inflation factor. For PIC

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

Renters' policies, the inflation factor per the Company's filed rule is the CPI-U US City Average.

**PIC – New and Renewal Business**

PIC writes new business homeowners policies exclusively through affiliations with partnered builders constructing new homes in various communities. Agents work with the builder to obtain the proper square footage and other attributes of the home. This information is entered into a zip code-based tool incorporating the price per square foot, inclusive of any customization, and is categorized as Standard, Custom, or Deluxe High. The tool returns a Minimum, Average, and Maximum Coverage A amount. Within this range, the agent works with the applicant to consider the Coverage A limits. The final decision as to the Coverage A limit is made by the customer after consultation with the agent and the builder. For PIC condominium policies, the coverage amounts are developed through a process involving agent and applicant conversation and agreement. For the PIC Renters Program, coverage limits are chosen by the insured/agent at time of quote.

The dwelling coverage amount shown on the declaration page of a new business policy can be reconciled with records in the policy file. For the PIC builder's homeowner policies, data elements, such as square footage and construction quality, are input into the cost estimating tool. This data is reflected on the declarations page as a Coverage A range (Minimum, Average, and Maximum).

PIC homeowner policies are renewed with the Coverage A amount increased by an inflation factor based on percentages provided by Marshall Swift & Boeckh (MSB). Industry data is reviewed at a 3-digit zip code level and is used as a guide to select a percentage that is applied on an annual renewal. For PIC Condominium policies, the Company does not currently apply an inflation protection percentage. For PIC renter's policies, the CPI-U US City Average inflation factor is applied. These inflation factors are reflected in the Company's rate filing.

In the event the policyholder would like a review of the Coverage A amount, the agent/company will complete a new updated MSB replacement cost evaluation. The insured can select a new coverage based on that evaluation that is either lower or higher than the current coverage limits and within 95% to 120% of the MSB estimate. MSB calculators are not used for PIC condominium policies or for the PIC Renters program.

**QBEIC and PIC – Contract with Third-Party Providers**

Neither QBEIC nor PIC have a contract with a third-party provider of an inflation factor.

**QBEIC and PIC – Safeguards Against Unreasonable Replacement Cost Increases**

Both QBEIC and PIC have controls in place to ensure that the Coverage Amount does not systematically increase to a point such that it exceeds the actual and reasonable replacement cost of the home. On each renewal of a Delaware policy, the Company sends either policyholder notice UND 1974 or UND 1978, depending on the agency group for PIC and QBEIC policies. These policyholder notices are virtually equivalent, in that they review the coverages provided in the policy and inform the policyholder of the need to have adequate replacement cost coverage. The notices describe the methods used to estimate replacement cost and direct the policyholder to consult with their agent. The notices provide a direct method for the policyholder to submit relevant information and request the company to review and, if insured agrees, amend the Coverage A amount to a higher or lower amount, depending on the updated replacement cost estimate information.

**Underwriting and Rating - Policy File Review**

For the experience period of January 1, 2016 through August 31, 2018, the table below shows the Company-identified universes of policies, along with the random sample sizes, for the following categories: New Business, Renewal Business, and Terminations. The files identified in the random samples were requested, received, and reviewed. The files were reviewed to determine compliance with applicable Delaware laws and regulations. In addition to review of the files, for each category, ten (10) New Business policies and ten (10) Renewal Business policies were selected for manual calculation of both homeowners’ and renters’ premiums to determine whether the premiums charged were in accordance with filed rates.

	<b>New Business Universe/Sample</b>	<b>Renewal Business Universe/Sample</b>	<b>Terminations Universe/Sample</b>
<b>QBEIC</b>	343/79	472/84	18/18
<b>PIC</b>	1,353/113	3,483/115	26/26
<b>QBE Specialty</b>	N/A	N/A	N/A

The following exception was noted:

**1 Exception - 18 Del. C. § 1715 – QBEIC - Underwriting and Rating – New Business - Appointments.**

The Company accepted business from a producer who was not properly appointed by the Company.

*Recommendation:* It is recommended the Company revise its procedures to ensure

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

producers are properly appointed in accordance with 18 *Del. C.* § 1715.

**Underwriting and Rating – Notifications**

**54 Total Exceptions -**

**27 Exceptions – QBEIC - Underwriting and Rating – Renewals**

**27 Exceptions – PIC – Underwriting and Rating - Renewals**

**18 *Del. C.* § 8307 (c) – Notifications**

**QBEIC – Underwriting and Rating - Renewals**

The Company failed to provide a notification and its corresponding form, informing the policyholder of the right to have credit information reviewed to determine whether use of the current credit report would result in a lower premium upon renewal.

*Recommendation:* It is recommended that, at the time of renewal, the Company provide notification to the policyholder of the right to have credit information reviewed to determine whether use of the current credit report would result in a lower premium in accordance with 18 *Del. C.* § 8307 (c).

**PIC – Underwriting and Rating – Renewals**

The Company failed to advise its policyholder of the § 8307 (c) exemption and the reason for the exemption at the time of renewal.

*Recommendation:* It is recommended the Company advise its policyholder of the 18 *Del. C.* § 8307 (c) exemption and the reason for the exemption at the time of renewal, as warranted.

**391 Total Exceptions –**

**79 Exceptions - QBEIC – Underwriting and Rating - New Business**

**84 Exceptions - QBEIC – Underwriting and Rating - Renewals**

**113 Exceptions - PIC – Underwriting and Rating - New Business**

**115 Exceptions - PIC – Underwriting and Rating - Renewals**

**18 *Del. Admin. C.* 702 - Required Disclosures for Residential Homeowners Policies**

The insurer failed to deliver to the policyholder Form HO9530, “Important Information About Your Homeowner’s Insurance,” that contained all information required by 18 *Del. Admin. C.* 702 § 5.1.5 pertaining to deductibles.

*Recommendation:* It is recommended the Company revise its procedures to ensure Form HO9530, “Important Information About Your Homeowner’s Insurance,” containing all information required by 18 *Del. Admin. C.* 702 § 5.1.5 pertaining to deductibles, is delivered to the policyholder.



**1 Concern – PIC - Underwriting and Rating – New Business – Age of Home Discount**

The Company based its methodology for calculation of Age of Home discount on calendar year of construction completion and calendar year of occupancy.

*Recommendation:* It is recommended the Company refine its methodology for determining the age of home to ensure a higher degree of accuracy and consistency in application of the discount. It is also recommended the Company incorporate language in the Rate Manual specifying how Dwelling Age is determined.

**CLAIMS**

For the experience period of January 1, 2016 through August 31, 2018, the table below shows the Company-identified universes of policies, along with the random sample sizes, for the following categories: Paid, Denied/Not Paid, and Closed Without Payment. The files identified in the random samples were requested and received. The files were reviewed to determine compliance with applicable Delaware laws and regulations.

	<b>Paid</b> <b>Universe/Sample</b>	<b>Denied/Not Paid</b> <b>Universe/Sample</b>	<b>Closed Without Payment</b> <b>Universe/Sample</b>
<b>QBEIC</b>	33/6	3/3	8/6
<b>PIC</b>	97/27	8/8	33/23
<b>QBE Specialty</b>	173/43	13/13	69/47

The following exceptions were noted:

- 3 Total Exceptions – Claims:**
- 1 PIC - Denied**
- 1 PIC – Closed Without Payment**
- 1 QBE Specialty – Closed Without Payment**

**18 Del. Admin. C. 902 – Prohibited Unfair Claim Settlement Practices.**

The company failed to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements were received by the insurer.

*Recommendation:* It is recommended the company revise its procedures to ensure that coverage, or a claim, is either affirmed or denied, or the person presenting the claim is

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

advised of the reason for the inability to do so, in writing, or other proper legal manner, within 30 days after proof of loss statements are received by the insurer, in compliance with 18 *Del. Admin. C.* 902.

**1 Concern – QBE Specialty - Claims – CWOP – Form HO 00 03 10 00**

Contract language found in the text of form HO 00 03 10 00 regarding the time frame for loss payment in relation to receipt of proof of loss is inconsistent with Delaware administrative law. Language in the form provides for payment within 60 days of proof of loss, whereas 18 *Del. Admin. C.* 902 § 1.2.1.5 specifies a 30-day period from receipt of proof of loss to affirmation, denial, or status update of the claim.

*Recommendation:* It is recommended the Company revise its procedures to ensure contract language pertaining to loss payment and proof of loss on policy forms filed with the Delaware Department of Insurance and utilized by the Company is consistent with Delaware laws and regulations.

**CONCLUSION**

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended the Company revise its procedures to ensure Form HO9530, “Important Information About Your Homeowner’s Insurance,” containing all information required by 18 *Del. Admin. C.* 702 § 5.1.5 pertaining to deductibles, is delivered to the policyholder. (Underwriting and Rating).
2. It is recommended the Company revise its procedures to ensure that coverage, or a claim, is either affirmed or denied, or the person presenting the claim is advised of the reason for the inability to do so, in writing, or other proper legal manner, within 30 days after proof of loss statements are received by the insurer, in compliance with 18 *Del. Admin. C.* 902. (Claims).
3. It is recommended the Company revise its procedures to ensure producers are properly appointed in accordance with 18 *Del. C.* § 1715. (Underwriting and Rating).
4. It is recommended that, at the time of renewal, the Company provide notification to the policyholder of the right to have credit information reviewed to determine whether use of the current credit report would result in a lower premium in accordance with 18 *Del. C.* § 8307 (c). (Underwriting and Rating).

**Delaware Market Conduct Examination Report**  
**QBE Insurance Corporation**  
**Praetorian Insurance Company**  
**QBE Specialty Insurance Company**

5. It is recommended the Company advise its policyholder of the 18 *Del. C.* § 8307 (c) exemption and the reason for the exemption at the time of renewal as warranted. (Underwriting and Rating).
6. It is recommended the Company refine its methodology for determining the age of home to ensure a higher degree of accuracy and consistency in application of the Age of Home discount. It is also recommended the Company incorporate language in the Rate Manual clarifying exactly how Dwelling Age is determined. (Underwriting and Rating).
7. It is recommended the Company revise its procedures to ensure contract language pertaining to loss payment and proof of loss on policy forms filed with the Delaware Department of Insurance and utilized by the Company is consistent with Delaware laws and regulations. (Claims)

The examination was conducted by Joseph Krug, Steven Misenheimer, Ray Hartsfield, and Linda Armstrong.

This report is respectfully submitted.



---

Linda Armstrong, JD, MCM  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance